



# House of Representatives

General Assembly

**File No. 734**

*January Session, 2003*

Substitute House Bill No. 6530

*House of Representatives, May 19, 2003*

The Committee on Finance, Revenue and Bonding reported through REP. STILLMAN of the 38th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE LICENSING OF LOTTERY VENDORS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-815a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 [The executive director of the Division of Special Revenue shall  
4 require the person or business organization awarded the primary  
5 contract by the Connecticut Lottery Corporation to provide facilities,  
6 components, goods or services which are necessary for the operation of  
7 the activities of said corporation to submit to state and national  
8 criminal history records checks. No such person or business  
9 organization may provide such facilities, components, goods or  
10 services unless such person or business organization submits to a state  
11 police background investigation in accordance with subsection (i) of  
12 section 12-574 or is issued a vendor license by the executive director of

13 the Division of Special Revenue. The criminal history records checks  
14 required pursuant to this section shall be conducted in accordance  
15 with section 29-17a.]

16 (a) No person or business organization shall provide facilities,  
17 components, goods or services that are necessary for the operation of  
18 the activities of the Connecticut Lottery Corporation unless such  
19 person or business organization is issued a vendor license by the  
20 executive director of the Division of Special Revenue. In determining  
21 whether to grant a license to any such person or business organization,  
22 the executive director may require an applicant to provide information  
23 as to such applicant's: (1) Financial standing and credit which shall, at  
24 the discretion of the executive director, be updated annually; (2) moral  
25 character; (3) criminal record, if any; (4) previous employment; (5)  
26 corporate, partnership or association affiliations; (6) ownership of  
27 personal assets; and (7) such other information as the executive  
28 director deems pertinent to the issuance of such license. The executive  
29 director shall require each applicant for a vendor license to submit to  
30 state and national criminal history records checks before such license is  
31 issued. The criminal history records checks required pursuant to this  
32 subsection shall be conducted in accordance with section 29-17a. Each  
33 such applicant shall pay a nonrefundable application fee of two  
34 hundred dollars. The executive director shall issue a vendor license to  
35 each applicant who satisfies the requirements of this subsection.

36 (b) A vendor license shall be renewed annually. A nonrefundable  
37 application fee shall accompany the application for renewal of the  
38 license. Such fee shall be in an amount equal to five per cent of the  
39 value of the contract that the vendor had with the state in the  
40 preceding year.

41 (c) The executive director may reject for good cause an application  
42 for a vendor license and may suspend or revoke for good cause any  
43 license issued by said executive director and may impose a civil  
44 penalty on any licensee for a violation of any provision of this chapter  
45 or any regulation adopted hereunder or under section 12-568a, as

46 amended by this act, in an amount not to exceed two thousand five  
47 hundred dollars after a hearing held in accordance with the provisions  
48 of chapter 54. Any such applicant aggrieved by the action of the  
49 executive director concerning an application for a license, or any  
50 person or business organization whose license is suspended or  
51 revoked, may appeal to the Gaming Policy Board not later than fifteen  
52 days after such decision.

53 (d) The executive director, with the advice and consent of the  
54 Gaming Policy Board, may adopt regulations, in accordance with  
55 chapter 54, to implement the provisions of this section.

56 Sec. 2. Section 12-568a of the general statutes is repealed and the  
57 following is substituted in lieu thereof (*Effective from passage*):

58 The Division of Special Revenue shall adopt regulations, in  
59 accordance with chapter 54, for the purpose of assuring the integrity of  
60 the state lottery, concerning the regulation of the state lottery under  
61 the operation and management of the Connecticut Lottery  
62 Corporation. Such regulations shall include: (1) The licensing of  
63 employees of the Connecticut Lottery Corporation and any person or  
64 business organization [awarded the primary contract by said  
65 corporation to provide] that provides facilities, components, goods or  
66 services which are necessary for the operation of the activities  
67 authorized by chapter 229a; (2) the approval of procedures of the  
68 corporation; (3) the time period for complying with the regulations  
69 governing said approval of procedures; (4) offerings of lottery games;  
70 (5) minimum prize payouts and payments; (6) regulation of lottery  
71 sales agents including qualifications for licensure and license  
72 suspension and revocation; (7) assurance of the integrity of the state  
73 lottery including the computer gaming system, computer internal  
74 control and system testing; and (8) limitations on advertising and  
75 marketing content to assure public information as to the odds of  
76 winning the lottery and the prohibition of sales of tickets to minors.

This act shall take effect as follows:
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Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

**FIN**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note****State Impact:**

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Spec. Revenue, Div. of	GF	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The net impact of the bill is anticipated to be negligible because the anticipated revenue from the 5% renewal fee (about \$800,000/yr) is expected to be offset by less revenue transferred to the General Fund by the Connecticut Lottery Corporation (CLC). Under current Division of Special Revenue (DSR) practice a \$200 annual licensure fee is imposed on all vendors providing services to the CLC. The bill is anticipated to substantially increase the renewal fee paid by some vendors (up to \$450,000/yr), which they will pass on in the form of higher service costs to the CLC. This is anticipated to result in less revenue transferred to the General Fund since the CLC transfers revenue from lottery sales net of expenses.

Currently, DSR is collecting about \$2,000 in revenue from the \$200 annual licensure fee.

**OLR Bill Analysis**

sHB 6530

***AN ACT CONCERNING THE LICENSING OF LOTTERY VENDORS*****SUMMARY:**

This bill makes the law conform to practice by requiring all Connecticut Lottery Corporation (CLC) vendors to be licensed annually by the Division of Special Revenue (DSR) and undergo state and national criminal history record checks. It allows the DSR executive director to determine whether a license applicant should also provide certain information that he deems pertinent to the issuance of a license. Under current law, licensing is optional (an alternative to a State Police background check), and criminal history record checks are mandatory for the primary vendor, but there is no licensing or criminal background or history record check requirement for other vendors.

The bill establishes a nonrefundable (1) \$200 license application fee and (2) license renewal fee equal to 5% of the value of the vendor's contract with the state in the preceding year. It gives DSR specific authority to reject license applications or suspend or revoke licenses for good cause and fine licensed vendors for violations of the laws or regulations pertaining to CLC. The fine, up to \$2,500, is the same amount the agency may now levy on the vendor awarded the primary off-track betting (OTB) contract and any other person or business licensed by the executive director. The executive director may impose the fine only after a hearing held in accordance with the Uniform Administrative Procedures Act. Aggrieved parties may appeal to the Gaming Policy Board within 15 days of a decision.

The bill allows the executive director to adopt implementing regulations.

EFFECTIVE DATE: Upon passage

**VENDOR LICENSING AND INVESTIGATION**

Current law requires any person or business awarded CLC's primary contract to provide necessary goods, services, facilities, or components

for the lottery to undergo both state and national criminal history record checks. In addition, the vendor must either undergo a State Police background check or obtain a DSR vendor license. (In practice, a State Police background check is part of the licensing process.)

The bill requires all vendors to be licensed and all vendors, instead of just the primary vendor, to undergo state and national criminal history record checks as part of the licensing process. In addition to this check, the DSR executive director may require information on the applicant's:

1. financial standing and credit, which must be updated annually, at the director's request;
2. moral character;
3. criminal record, if any;
4. previous employment;
5. corporate, partnership, or association affiliations; and
6. ownership of personal assets.

The director may also ask for other information he deems pertinent.

## **BACKGROUND**

### ***Legislative History***

On April 9, the House referred the bill (File 152) to the Finance, Revenue and Bonding Committee, which changed the renewal license fee from \$200 to 5% of the value of the vendor's contract with the state in the previous year.

## **COMMITTEE ACTION**

Public Safety Committee

Joint Favorable Report

Yea 20      Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 28      Nay 14